ST JOE CO
Form 10-K
February 28, 2007

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UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

Form 10-K

(Mark One)

þ **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the fiscal year ended December 31, 2006

or

o **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the transition period from to

Commission File No. 1-10466

The St. Joe Company
(Exact name of registrant as specified in its charter)

Florida	**59-0432511**
(State or other jurisdiction of incorporation or organization)	*(I.R.S. Employer Identification No.)*
245 Riverside Avenue, Suite 500 Jacksonville, Florida	**32202**
(Address of principal executive offices)	*(Zip Code)*

Registrant s telephone number, including area code: (904) 301-4200

Securities Registered Pursuant to Section 12(b) of the Act:

Title of Each Class	**Name of Each Exchange on Which Registered**
Common Stock, no par value	New York Stock Exchange

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. YES þ NO o

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. YES o NO þ

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports) and (2) has been subject to such filing requirements for the past 90 days. YES þ NO o

Indicate by check mark if disclosure of delinquent filers pursuant to item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of the Registrant s knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. þ

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of accelerated filer and large accelerated filer in Rule 12b-2 of the Exchange Act. (check one):

Large Accelerated filer þ Accelerated filer o Non-Accelerated Filer o

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). YES o NO þ

The aggregate market value of the registrant s Common Stock held by non-affiliates based on the closing price on June 30, 2006, was approximately $3.22 billion.

As of February 22, 2007, there were 104,471,012 shares of Common Stock, no par value, issued and 74,370,980 shares outstanding, with 30,100,032 shares of treasury stock.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the Registrant s definitive Proxy Statement for the Annual Meeting of our Shareholders to be held on May 15, 2007 (the proxy statement) are incorporated by reference in Part III of this Report. Other documents incorporated by reference in this Report are listed in the Exhibit Index.

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* Portions of the Proxy Statement for the Annual Meeting of our Shareholders to be held on May 15, 2007, are incorporated by reference in Part III of this Form 10-K.

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PART I

Item 1. *Business*

As used throughout this Form 10-K Annual Report, the terms we, JOE, Company and Registrant mean The St. Joe Company and its consolidated subsidiaries unless the context indicates otherwise.

JOE is one of the largest real estate development companies in Florida. We believe that we are the largest private landowner in the State of Florida. The majority of our land is located in Northwest Florida. We own approximately 805,000 acres, approximately 334,000 acres of which are within ten miles of the coast of the Gulf of Mexico.

We are engaged in town and resort development and operations, commercial and industrial development and rural land sales. We also have significant interests in timber. We believe we are one of the few real estate development companies to have assembled the range of real estate, financial, marketing and regulatory expertise necessary to take a large-scale approach to real estate development and services. We believe we have a number of key business strengths and competitive advantages, including one of the largest inventories of private land suitable for development in Florida, as well as a very low cost basis in our land.

Our four operating segments are:

- Residential Real Estate
- Commercial Real Estate
- Rural Land Sales
- Forestry

Our mission is to create a family of places in Northwest Florida that inspire people and make the region an even better place to live, work and play. We seek to accomplish our mission and create value by securing higher and better land-use entitlements, facilitating infrastructure improvements, developing community amenities, undertaking strategic and expert land planning and development, parceling our land holdings in creative ways and performing land restoration and enhancement. Over the past ten years, we have created an array of imaginative real estate products ranging from beachfront resorts and suburban, primary neighborhoods to commerce parks and rural recreational properties. Going forward, we will continue to reposition our timberland holdings for higher and better uses in order to optimize the value of our core real estate assets in Northwest Florida.

Recent Developments

Our business has experienced the following developments since December 31, 2005:

- We experienced a significant decline in sales in our residential real estate business in 2006, especially in our resort communities. Florida, like many other states across the nation, experienced dramatic slowdowns in its residential real estate markets in 2006, as compared to the record-setting residential real estate activity of the past several years. This real estate slowdown was reflected in our results of operations. We had net income of $51.0 million in 2006, compared to net income of $126.7 million in 2005.

Our residential land-use entitlements pipeline increased to approximately 44,300 units as of December 31, 2006. This pipeline is made up of units where entitlements have been obtained, as well as units which are in the entitlements process. These land-use entitlements cover a broad spectrum of potential products, markets and price points. In addition, at year end JOE had approximately 14.5 million square feet of commercial land-use entitlements in hand or in process, plus an additional 627 acres zoned for commercial uses.

The Panama City Bay County Airport and Industrial District is seeking to move the Panama City-Bay County International Airport to a site in western Bay County located on land that we own. In September 2006, the Federal Aviation Administration issued its Record of Decision approving the relocation of the airport to the West Bay site. An appeal of the Record of Decision has been filed by

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the Natural Resources Defense Council and other petitioners. The Airport Authority has received all state permits necessary to move forward with the relocation of the airport, but the Army Corps of Engineers must issue a Section 404 permit before construction can commence. The relocation of the airport is also dependent on adequate funding. We have agreed to donate 4,000 acres to the Airport Authority for the new airport when relocation funding and all permits are in place.

In 2004, the Army Corps of Engineers issued a Regional General Permit which enables us to implement large-scale environmental and development planning for 48,150 acres in Walton and Bay Counties. The National Resources Defense Council and The Florida Sierra Club filed a lawsuit against the Army Corps of Engineers challenging the Regional General Permit in April 2005. At that time, a federal district court issued a preliminary injunction halting development under the permit. In November 2006, the court upheld the permit and lifted the injunction, allowing development to proceed. The plaintiffs have appealed the ruling. This legal action has had a minimal effect to date on our real estate development activity.

In September 2006, we announced that we are exiting the homebuilding business in Florida to further focus on our core competencies of land planning and development. We believe that our value creation potential is highest when we use our unique strengths to create inspirational places with value, personality and purpose. We expect that our exit from Florida homebuilding will be completed by mid-2008. The homebuilding exit was made possible by our expanding relationships with national, regional and local homebuilders and their growing interest in the Northwest Florida real estate markets. For example, from April through December 2006, we committed 1,209 lots to two national homebuilders, Beazer Homes and David Weekley Homes. Of these committed units, 426 had been closed as of December 31, 2006. See the table entitled Residential Real Estate National Homebuilder Summary of Home Site Commitments and Purchases within our Residential Real Estate Segment section for more information.

In August 2006 and January 2007, we implemented a series of operational changes designed to streamline and organize our field operations along regional lines and to advance our rural land sales strategies. These changes were designed to capture operating efficiencies and to promote the coordinated development of groups of projects that integrate various real estate product types. These organizational changes, together with normal employee attrition, have resulted in a workforce reduction of approximately 24% of our full-time employees from the beginning of 2006.

In the fourth quarter, JOE closed a transaction with the Florida Department of Transportation (FDOT) for the sale of approximately 4,000 acres in Northwest Florida to be used for rights-of-way for future road and highway construction in the region. We received $46.0 million in cash from this transaction, but, more importantly, the transaction demonstrates our commitment to innovative infrastructure planning and development in Northwest Florida. Accounting gain will be recognized over time as the FDOT completes the design and engineering of individual roadway segments and the land is conveyed to the FDOT, a process that is likely to take many years to complete.

Another infrastructure milestone during 2006 was the opening of the realigned portion of Highway 98 at our WindMark Beach community. This represents the culmination of years of effort to potentially create additional value at WindMark Beach by moving 3.6 miles of Highway 98 away from the beachfront area of the development. We next plan to restore the existing dune structure and use the roadbed of the original highway to create one of the longest public beachfront trail systems in Florida.

In May 2006, we announced an updated analysis of our land holdings which showed an increase of 46% in total acreage classified for resort, seasonal and primary residential uses. The land analysis also indicated that approximately 200,000 acres previously classified as timberland are now planned for other higher uses. We believe that land classification and analysis is the important first step in our value creation strategy.

Our WaterColor Inn and Resort received national honors and recognition during 2006. Among its notable awards were the following: ranked as the 36th best hotel in the world and 7th in North America by readers of Travel + Leisure magazine; ranked as the #1 family hotel in North America by readers of Travel + Leisure Family magazine; designated as an Andrew Harper s Hideaway Report Grand Award

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Winner; honored by AAA with Northwest Florida s only four-diamond ranking; and named to ForbesTraveler.com s list of the 400 best hotels in the world.

In January 2007, we entered into an exclusive listing agreement with Eastdil Secured, LLC, a real estate brokerage firm, for the marketing and potential disposition of our office building portfolio. The portfolio is located in seven markets throughout the Southeast and consists of 17 buildings with approximately 2.3 million net rentable square feet. The likelihood and timing of the possible sale will depend upon market reaction and other variables.

In February 2007, we increased the size of our revolving credit facility from $250 million to $500 million.

Land-Use Entitlements

We have a broad range of land-use entitlements in hand or in various stages of the approval process for residential communities in Northwest Florida and other high-growth regions of the state, as well as commercial entitlements. As of December 31, 2006, we had approximately 44,300 units and 14.5 million commercial square feet in the entitlements pipeline, in addition to 627 acres zoned for commercial uses. The following tables describe our residential and commercial projects with land-use entitlements that are in development, pre-development planning or the entitlements process. These entitlements are on approximately 58,000 acres. Most of the projects are on lands we own and some of the projects are being developed through ventures with unrelated third parties.

Summary of Land-Use Entitlements(1)
Active JOE Residential and Mixed-Use Projects in Florida
December 31, 2006

Project	Class.(2)	County	Project Acres	Project Units(3)	Residential Units Closed Since Inception	Residential Units Under Contract as of 12/31/06	Total Residential Units Remaining(4)	Remaining Commercial Entitlements (Sq. Ft.)(5)
In Development:(6)								
Artisan Park(7)	PR	Osceola	175	616	498	29	89	
Cutter Ridge	PR	Franklin	10	25			25	
Hawks Landing	PR	Bay	88	168	59	2	107	
Landings at Wetappo	RR	Gulf	113	24	7		17	
Palmetto Trace	PR	Bay	141	481	460		21	
Paseos(7)	PR	Palm Beach	175	325	322		3	
RiverCamps on Crooked Creek	RS	Bay	1,491	408	182		226	
Rivercrest(7)	PR	Hillsborough	413	1,382	1,365	5	12	
RiverSide at Chipola	RR	Calhoun	120	10	2		8	
RiverTown	PR	St. Johns	4,170	4,500			4,500	500,000
SevenShores	RS	Manatee	192	686		9	677	9,000
SouthWood	VAR	Leon	3,370	4,770	2,142	19	2,609	4,715,360
	PR	St. Johns	880	799	785	5	9	

St. Johns Golf & Country Club								
SummerCamp	RS	Franklin	762	499	80	1	418	25,000
The Hammocks	PR	Bay	133	457	453		4	
Victoria Park	PR	Volusia	1,859	4,200	1,294	3	2,903	854,254
WaterColor	RS	Walton	499	1,140	870		270	47,600
WaterSound	VAR	Walton	2,425	1,432	15		1,417	457,380
WaterSound Beach	RS	Walton	256	511	419	3	89	29,000
WaterSound West Beach	RS	Walton	62	199	13		186	
WindMark Beach	RS	Gulf	2,020	1,662	127		1,535	75,000
Subtotal			19,354	24,294	9,093	76	15,125	6,712,594

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Project	Class.(2)	County	Project Acres	Project Units(3)	Residential Units Closed Since Inception	Residential Units Under Contract as of 12/31/06(4)	Total Residential Units Remaining(4)	Remaining Commercial Entitlements (Sq. Ft.)(5)
In Pre-Development:(6)								
Avenue A	PR	Gulf	6	96			96	
Bayview Estates	PR	Gulf	31	45			45	
Bayview Multifamily	PR	Gulf	20	300			300	
Beckrich NE	PR	Bay	15	70			70	
Boggy Creek	PR	Bay	630	526			526	
Bonfire Beach	RS	Bay	550	750			750	70,000
College Station	PR	Bay	567	800			800	
East Lake Creek	PR	Bay	81	313			313	
East Lake Powell	RS	Bay	181	360			360	30,000
Hills Road	RS	Bay	30	356			356	
Howards Creek	RR	Gulf	8	33			33	
Laguna Beach West	PR	Bay	59	382			382	
Long Avenue	PR	Gulf	10	30			30	
Palmetto Bayou	PR	Bay	58	217			217	90,000
ParkSide	PR	Bay	48	480			480	
Pier Park NE	VAR	Bay	57	460			460	190,000
Pier Park Timeshare	RS	Bay	13	125			125	
PineWood (Park Place)	PR	Bay	118	264			264	
Port St. Joe Town Center (Port St. Joe Mill Site Area)	VAR	Gulf	180	624			624	500,000
Powell Adams	RS	Bay	32	1,425			1,425	
RiverCamps on Sandy Creek	RS	Bay	6,500	624			624	
Sabal Island	RS	Gulf	45	18			18	
The Cove	RR	Gulf	57	81			81	
Timber Island(8)	RS	Franklin	49	407			407	14,500
Topsail	VAR	Walton	115	627			627	300,000
Wavecrest	RS	Bay	7	95			95	
WestBay Corners SE	VAR	Bay	100	524			524	50,000
WestBay Corners SW	PR	Bay	64	160			160	
WestBay DSAP	VAR	Bay	15,089	5,842			5,842	4,330,000
WestBay Landing	VAR	Bay	950	214			214	
WhiteFence Farms, Red Hills	RR	Leon	373	61			61	
Subtotal			26,043	16,309			16,309	5,574,500
Total			45,397	40,603	9,093	76	31,434	12,287,094

(1) A project is deemed land-use entitled when all major discretionary governmental land-use approvals have been received. Some of these projects may require additional permits for development and/or build-out; they also may be subject to legal challenge.

(2) Current JOE land classifications:

PR Primary residential.

RS Resort and seasonal residential, which includes RiverCamps.

RR Rural residential, which includes WhiteFence Farms, Homesteads and other rural residential products.

VAR Includes multiple classifications. For example, a project may have substantial commercial and residential acres.

(3) Project units represent the maximum number of units entitled or currently expected at full build-out. The actual number of units or square feet to be constructed at full build-out may be lower than the number entitled or currently expected.

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(4) Excludes our Mid-Atlantic region that includes activity in North and South Carolina where we are primarily engaged in homebuilding, and not obtaining entitlements. As of December 31, 2006, the Mid-Atlantic region had 1,492 home sites owned or under contract. Of that total, 191 have been sold and 1,301 remain to be sold.

(5) Represents the remaining square feet with land-use entitlements as designated in a development order or expected given the existing property land use or zoning and present plans. Commercial entitlements include retail, office and industrial uses. Industrial uses total 6,128,381 square feet including SouthWood, RiverTown and the West Bay DSAP.

(6) A project is in development when construction on the project has commenced. A project in pre-development has land-use entitlements but is still under internal evaluation or requires one or more additional permits prior to the commencement of construction.

(7) Artisan Park is 74 percent owned by JOE. Paseos and Rivercrest are each 50 percent owned by JOE.

(8) Timber Island entitlements include seven residential units and 400 units for hotel or other transient uses (including units held with fractional ownership such as private residence clubs) and include 480 wet/dry marina slips.

Proposed JOE Residential and Mixed-Use Projects
In the Land-Use Entitlement Process in Florida(1)
December 31, 2006

Project	Class.(2)	County	Project Acres	Estimated Project Units(3)	Estimated Commercial Entitlements (Sq. Ft.)(3)
Beacon Hill	RR	Gulf	3	12	
Carrabelle East	PR	Franklin	200	600	
Country Walk	RR	Bay	1,300	125	
DeerPoint Cedar Grove	PR	Bay	599	750	
Panama City Mixed Use	VAR	Bay	1,414	3,100	635,000
Port St. Joe Draper, Phase I	PR	Gulf	639	1,200	
SouthSide	VAR	Leon	1,625	2,800	1,150,000
South Walton Multifamily	PR	Walton	40	212	
Star Avenue North	VAR	Bay	271	1,248	380,000
St. James Island McIntyre	RR	Franklin	1,704	340	
St. James Island RiverCamps	RS	Franklin	2,500	500	
St. James Island Granite Point	RS	Franklin	1,000	2,000	
The Cove, Phase 3	RR	Gulf	7	26	
Total			11,302	12,913	2,165,000

(1) A project is deemed to be in the land-use entitlement process when customary steps necessary for the preparation and submittal of an application, such as conducting pre-application meetings or similar discussions with governmental officials, have commenced and/or an application has been filed. All projects listed have significant entitlement steps remaining that could affect their timing, scale and viability. There can be no assurance that these entitlements will ultimately be received.

(2) Current JOE land classifications:

PR Primary residential.

RS Resort and seasonal residential, which includes RiverCamps.

RR Rural residential, which includes WhiteFence Farms, Homesteads and other rural residential products.

VAR Includes multiple classifications. For example, a project may have substantial commercial and residential acres.

(3) The actual number of units or square feet to be constructed at full build-out may be lower than the number ultimately entitled.

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Summary of Additional Commercial Land-Use Entitlements (1)
(Commercial Projects Not Included in the Tables Above)
December 31, 2006

Project	County	Project Acres	Acres Sold Since Inception	Acres Under Contract As of 12/31/06	Total Acres Remaining
Airport Commerce	Leon	45		5	40
Airport Road	Franklin	13			13
Alf Coleman Retail	Bay	25	16	1	8
Avery St. Retail	Bay	10	10		
Beach Commerce	Bay	157	149	2	6
Beach Commerce II	Bay	112	11		101
Beckrich Office Park	Bay	16	12		4
Beckrich Retail	Bay	47	19	2	26
Cedar Grove Commerce	Bay	51			51
Franklin Industrial	Franklin	7			7
Glades Retail	Bay	14			14
Gulf Boulevard	Bay	76	21		55
Hammock Creek Commerce	Gadsden	165	27		138
Mill Creek Commerce	Bay	37			37
Nautilus Court	Bay	11	4		7
Port St. Joe Commerce II	Gulf	39	9		30
Port St. Joe Commerce III	Gulf	54			54
Port St. Joe Medical	Gulf	19			19
Powell Hills Retail	Bay	44		44	
South Walton Commerce	Walton	39	18	4	17
Total		981	296	58	627

(1) A project is deemed land-use entitled when all major discretionary governmental land-use approvals have been received. Some of these projects may require additional permits for development and/or build-out; they also may be subject to legal challenge. Includes significant JOE projects that are either operating, under development or in the pre-development stage.

Residential Real Estate

Our residential real estate segment develops large-scale, mixed-use resort, seasonal and primary residential communities primarily on land we own with very low cost basis. We own large tracts of land in Northwest Florida, including large tracts near Tallahassee and Panama City, and significant Gulf of Mexico beach frontage and other waterfront properties, which we believe are suited for resort, seasonal and primary communities. We believe this large land inventory, with a low cost basis, provides us an advantage over our competitors who must purchase real estate at current market prices before beginning projects. We manage the conceptual design, planning and permitting process for each of our new communities. We then contract for the construction of the infrastructure for the community. Developed home sites are then marketed and sold to individual purchasers or to homebuilders.

JOE also owns all of the outstanding stock of Saussy Burbank, a homebuilder located in Charlotte, North Carolina. In 2006, Saussy Burbank closed sales of 637 homes it constructed in North and South Carolina.

The following is a description of some of the communities we are developing:

WaterColor is situated on approximately 499 acres on the beaches of the Gulf of Mexico in south Walton County. The community is planned to include approximately 1,140 units, including an 11 - unit private residence club with fractional ownership. WaterColor includes the WaterColor Inn and Resort, the recipient of many notable awards during 2006. Other amenities include a beach club, spa, tennis center, an award-winning upscale restaurant, retail and commercial space and neighborhood parks.

WaterSound Beach is located approximately five miles east of WaterColor. Situated on approximately 256 acres, WaterSound Beach includes over one mile of beachfront on the Gulf of Mexico. This community is currently planned to include approximately 511 units. During 2006, the WaterSound Private Beach Club opened for business and began accepting memberships.

WaterSound West Beach is located over one half mile west of WaterSound Beach on the beach side of County Road 30A. This community has been designed for 199 units with private beach access through the adjacent Deer Lake State Park.

WaterSound, located on approximately 2,425 acres and planned for a 1,432-unit mixed-use development, is a resort community approximately three miles from WaterSound Beach north of U.S. 98 in Walton County. WaterSound will include approximately 450,000 square feet of commercial space. This seasonal town is planned to include a golf course, pools, parks and other amenities. Sales at WaterSound began in 2006.

Palmetto Trace is a primary home community in Panama City Beach planned for 481 units on 141 acres. From its inception through December 31, 2006, contracts for 460 units were accepted and closed. David Weekley Homes, LLP, a national homebuilder, is building out the last phase of Palmetto Trace.

RiverCamps on Crooked Creek, situated on approximately 1,491 acres in western Bay County and bounded by West Bay, the Intracoastal Waterway and Crooked Creek, is planned for 408 high-quality finished cabins in a low-density, rustic setting with access to various outdoor activities such as fishing, boating and hiking. In 2006, we substantially completed the River House, an amenity designed to provide RiverCamps owners with a waterfront recreational facility.

Hawks Landing is a primary home community on approximately 88 acres located in Lynn Haven in Bay County. We plan to develop 168 home sites at Hawks Landing to local and national home builders. From its inception through December 31, 2006, contracts for 61 units were accepted or closed.

WindMark Beach is situated on approximately 2,020 acres in Gulf County near the town of Port St. Joe and includes approximately 15,000 feet of beachfront. This beachfront resort destination is planned to include approximately 1,662 units at full build-out, together with 75,000 square feet of commercial space. Construction to realign approximately four miles of U.S. Highway 98 away from the beachfront was completed in 2006. Sales in the second phase of WindMark Beach began in 2006.

SummerCamp, in Franklin County, is situated on the Gulf of Mexico on approximately 762 acres. Plans include approximately 499 units, a beach club, a community dock and nature trails.

SouthWood is situated on approximately 3,370 acres in southeast Tallahassee. Planned to include approximately 4,770 residential units, SouthWood includes an 18-hole golf course and club, and a traditional town center with restaurants, recreational facilities, retail shops and offices. Over 35% of the land in this community is designated for greenspaces, including a 123-acre central park. We own significant commercial acreage adjacent to SouthWood. In late 2006, we closed a commercial transaction with a shopping center developer that plans to build a 430,000 square foot retail center adjacent to SouthWood.

WhiteFence Farms, Red Hills is being designed with 61 rural home sites on approximately 373 acres near Tallahassee. This community will allow owners to enjoy an active or passive outdoors and farm-oriented lifestyle with modern conveniences and proximity to an urban center. The home sites will range in size from three to 15 acres and will feature cleared acreage, fencing, trails and entry features.

RiverTown is situated on approximately 4,170 acres located in St. Johns County south of Jacksonville along the St. Johns River. With parks and public meeting places, RiverTown is being planned for 4,500 housing units and 500,000 square feet of commercial space. RiverTown will have seven unique neighborhoods interwoven with community and retail areas by a series of bike paths and walkways, with all roads leading to the community s centerpiece, the St. John s River. RiverTown will offer homebuyers a wide variety of price points and lifestyles, appealing to several different target markets, including primary and second-home buyers. Construction at RiverTown started in 2006 and sales are expected to begin in 2007.

St. Johns Golf and Country Club is a primary residential community situated on approximately 880 acres we acquired in St. Johns County in 2001. The community includes an 18-hole golf course and club house facility. Of the 799 units planned, 790 had been sold or were under contract at the end of 2006.

Victoria Park is situated on approximately 1,859 acres in Volusia County near Interstate 4 in the historic college town of Deland between Daytona Beach and Orlando. Plans for Victoria Park include approximately 4,200 single and multi-family units built among parks, lakes and conservation areas. Victoria Park includes an award-winning 18-hole golf course.

Artisan Park, located in Celebration, near Orlando, is being developed through a joint venture in which we own 74%. Artisan Park is situated on approximately 175 acres which we acquired in 2002. Artisan Park is planned to include approximately 267 single-family units, 47 townhomes, and 302 condominiums as well as parks, trails and a community clubhouse with a pool and educational and recreational programming. At the end of 2006, 89 units remained for sale at Artisan Park.

Infrastructure construction has started on SevenShores, located in the City of Bradenton in Manatee County. SevenShores is entitled for 686 condominium units on 192 acres, with a club house, related amenities, and access to a marina. Vertical construction will not commence at SevenShores until internally set presale requirements are satisfied.

Several of our planned developments are in the midst of the entitlement process or are in the planning stage. We cannot assure you that:

- the necessary entitlements for development will be secured;
- any of our projects can be successfully developed, if at all; or
- our projects can be developed in a timely manner.

It is not feasible to estimate project development costs until entitlements have been obtained. Large-scale development projects can require significant infrastructure development costs and may raise environmental issues that require mitigation.

Commercial Real Estate

Our commercial real estate segment develops and sells real estate for commercial purposes. We also own a portfolio of office properties located throughout the southeastern United States.

Development and Sales. We focus on commercial development in Northwest Florida because of our large land holdings along roadways and near or within business districts in the region. We also develop parcels within or near existing residential development projects. For each new development, we direct the conceptual design, planning and permitting process and then contract for the construction of the horizontal infrastructure and any vertical building.

We focus on developing and selling the following products:

- Retail properties

Multi-family parcels

Office parks

Commerce parks

Investment Property Portfolio. Our commercial development operations, combined with our tax deferral strategy of reinvesting qualifying asset sale proceeds into like-kind properties, have enabled us to create a portfolio of 17 office buildings totaling 2.3 million square feet. Our portfolio of investment properties was 85% leased, based on net rentable square feet, as of December 31, 2006. In January 2007, we engaged a real

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estate brokerage firm to market the office building portfolio for sale. The likelihood and timing of a possible transaction is subject to market reaction and other variables.

Rural Land Sales

Our rural land sales segment markets parcels for a variety of rural residential and recreational uses on a portion of our long-held timberlands in Northwest Florida. The pricing of these parcels varies significantly based on size, location, terrain, timber quality and other local factors. Some parcels include the benefits of limited development activity including improved roads, ponds, fencing, gates and common use areas. In 2006, this segment sold 34,335 acres of rural land at an average price of $2,621 per acre.

The vast majority of the holdings marketed by our rural land sales segment will continue to be managed as timberland until sold. The revenues and income from our timberland operations are reflected in the results of our forestry segment.

Forestry

Our forestry segment focuses on the management and harvesting of our extensive timber holdings. We grow, harvest and sell timber and wood fiber. Our principal forestry product is softwood pulpwood. We also grow and sell softwood and hardwood sawtimber. In addition, we own and operate a cypress sawmill and mulch plant, Sunshine State Cypress, which converts cypress logs into wood products and mulch.

On December 31, 2006, our standing pine inventory totaled approximately 23.9 million tons and our hardwood inventory totaled approximately 8.7 million tons. Our timberlands are harvested by local independent contractors under agreements that are generally renewed annually. Our timberlands are located near key transportation links, including roads, waterways and railroads.

Our strategy is to actively manage, with the best available silviculture practices, portions of our timberlands that produce adequate amounts of timber to meet our pulpwood supply agreement obligation with Smurfit-Stone Container Corporation, which expires June 30, 2012. We also harvest and sell additional timber to regional sawmills that produce products other than pulpwood. In addition, our forestry operation is focused on selective harvesting, thinning and site preparation of timberlands that may later be sold or developed by other JOE divisions.

Competition

The real estate development business is highly competitive and fragmented. We compete with numerous developers of varying sizes, ranging from local to regional in scope, some of which have greater financial resources than we have. Sales of existing homes and home sites also provide competition for homesite purchases in our new residential developments. In our residential real estate segment, we compete primarily on the basis of community design, quality, uniqueness, amenities and developer reputation. We believe that our financial stability, relative to most others in our industry, has also become an increasingly favorable competitive factor.

Supplemental Information

Information regarding the revenues, earnings and total assets of each of our operating segments can be found in Note 14 to our Consolidated Financial Statements included in this Report. Subtantially all of our revenues are generated from domestic customers. All of our assets are located in the United States.

Employees

During 2006 and early 2007, we streamlined our operations and reduced employee headcount in connection with a series of organizational changes. As of February 1, 2007, we had 938 full-time employees and 145 part-time employees. This represents an approximately 24% reduction in the number of full-time employees from the beginning of 2006. Our employees work in the following segments:

	Full-Time	Part-Time	Total
Residential real estate development	426	15	441
Residential clubs and resorts	312	127	439
Commercial real estate	12		12
Rural land sales	13		13
Forestry	28	1	29
Other including corporate	147	2	149
Total	938	145	1,083

Website Access to Reports

We will make available, free of charge, access to our Annual Report on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K, and all amendments to those reports as soon as reasonably practicable after such reports are electronically filed with or furnished to the SEC, through our internet home page at www.JOE.com.

Certifications

In 2006, we submitted to the New York Stock Exchange (NYSE) the Certification of our Chief Executive Officer required by Section 303A.12(a) of the NYSE Listed Company Manual, relating to our compliance with the NYSE s corporate governance lising standards. There were no qualifications to the certification. We have also filed as Exhibits 31.1 and 31.2 to this Annual Report on Form 10-K the Chief Executive Officer and Chief Financial Officer certifications required to be filed with the Securities and Exchange Commission pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.

Item 1A. ***Risk Factors***

Our business faces numerous risks, including those set forth below. If any of the following risks and uncertainties develop into actual events, our business, financial condition or results of operations could be materially adversely affected. The risks described below are not the only ones we face. Additional risks not presently known to us or that we currently deem immaterial may also impair our business operations.

A downturn in national or regional economic conditions, especially in Florida, could adversely impact our business.

Our real estate sales, revenues, financial condition and results of operations could decline due to a deterioration of the national or certain regional economies. Our sales and revenues would be especially affected by a downturn in economic conditions in Florida, where most of our developments are located. In addition, we generate a disproportionate amount of our resort and seasonal sales in our Northwest Florida communities from customers in the Southeast region of the United States, which sales would be impacted by a deterioration of economic conditions in that region. In addition, a significant percentage of our planned residential units are resort and seasonal products, purchases of which are particularly sensitive to the state of the economy.

A continued downturn in the demand for real estate, especially residential real estate products, could adversely impact our business.

The majority of our revenues are generated from the sale of residential real estate products. Our ability to generate revenues in our residential real estate segment is directly related to demand for these products. As described above, a deterioration of economic conditions, whether national or regional, can adversely affect demand for real estate. The real estate industry, however, is cyclical and can experience downturns based on consumer perceptions of real estate markets and other cyclical factors wholly unrelated to general economic conditions. Since late 2005, the United States, and Florida in particular, has experienced a significant downturn in certain residential real estate markets while economic conditions have generally remained healthy. As investors who have increasingly utilized real estate as an investment over the last several years seek to liquidate their real estate investments, resale inventories of existing homes and lots have risen dramatically, especially in our resort markets. If these trends continue, the demand for our residential real estate products could further decline, negatively impacting our net income and potentially further impacting selling prices and/or absorption rates.

The occurrence of hurricanes and other natural disasters in Florida could adversely affect our business.

Because of its location between the Gulf of Mexico and the Atlantic Ocean, Florida is particularly susceptible to the occurrence of hurricanes. Depending on where any particular hurricane makes landfall, our developments in Florida, especially our coastal properties in Northwest Florida, could experience significant, if not catastrophic, damage. Such damage could materially delay sales in affected communities or could lessen demand for products in those communities. Importantly, regardless of actual destruction in a development, the occurrence of hurricanes in Florida and the southeastern United States could negatively impact demand for our real estate products because of consumer perceptions of hurricane risks. For example, the southeastern United States experienced a record-setting hurricane season in 2005. In particular, Hurricane Katrina, which struck New Orleans and the Mississippi Gulf Coast, caused severe devastation to those areas and received prolonged national media attention. Although our properties were not significantly impacted, we believe that the 2005 hurricane season had an immediate negative impact on sales of our resort residential products. Another severe hurricane or hurricane season in the future could have a similar negative effect on our real estate sales.

In addition to hurricanes, the occurrence of other natural disasters in Florida, such as tornadoes, floods, fires, unusually heavy or prolonged rain and droughts, could have a material adverse effect on our ability to develop and sell properties or realize income from our projects. The occurrence of natural disasters could also have a long-term negative effect on the attractiveness of Florida as a location for resort, seasonal and/or primary residences.

Increases in real estate property taxes and/or insurance premiums could reduce customer demand for lots and homes in our developments.

Property insurance companies doing business in Florida have reacted to recent hurricanes by increasing premiums, requiring higher deductibles, reducing limits, restricting coverages, imposing exclusions, refusing to insure certain property owners, and in some instances, ceasing insurance operations in the state. These actions have been most dramatically applied to coastal communities. A significant number of our developments are located in such coastal communities. This trend of rising insurance rates could continue if there are severe hurricanes in the future.

Florida has recently experienced dramatic increases in property values due to the record-setting real estate activity in the first half of this decade. As a result, local governments have been, and may continue, aggressively re-assessing the value of homes and real estate for property tax purposes. These larger assessments increase the total real estate property taxes due from property owners annually.

Increases in real estate insurance premiums and/or property taxes could influence potential customers who may consider those annual costs in making housing choices to decide not to purchase a lot or home in one of our developments, which could have a material adverse effect on our financial condition and results of operations.

Our business is concentrated in Florida, primarily Northwest Florida. As a result, our financial results are dependent on the economic growth and health of Florida, particularly Northwest Florida.

The economic growth and health of Florida, particularly Northwest Florida where the majority of our land is located, are important factors in sustaining demand for our products and services. As a result, any adverse change to the economic growth and health of Florida, particularly Northwest Florida, could materially adversely affect our financial results. The future economic growth in certain portions of Northwest Florida may be adversely affected if its infrastructure, such as roads, airports, medical facilities and schools, are not improved to meet increased demand. There can be no assurance that these improvements will occur.

The most significant infrastructure improvement currently being considered in Northwest Florida is the proposed relocation of the Panama City-Bay County International Airport to a site in western Bay County located on land that we own. In September 2006, the Federal Aviation Administration issued its Record of Decision approving the relocation of the airport to the West Bay site. An appeal of the Record of Decision has been filed by the Natural Resources Defense Council and other petitioners. The Airport Authority has received all state permits necessary to move forward with the relocation of the airport, but the Army Corps of Engineers must issue a Section 404 permit before construction can commence. The relocation of the airport is also dependent on adequate funding. We have agreed to donate 4,000 acres to the Airport Authority when relocation funding and all permits are in place. We believe that the relocation of the airport is important to the overall economic development of Northwest Florida. If the relocation of the airport does not occur, our business prospects could be materially affected.

Changes in the demographics affecting projected population growth in Florida, particularly Northwest Florida, including a decrease in the migration of Baby Boomers, could adversely affect our business.

Florida has experienced strong recent population growth, including the migration of Baby Boomers to the state. We believe that Baby Boomers seeking retirement or vacation homes in Florida will be important target customers for our real estate products in the future, and we intend to continue to plan and market products to them. In addition, the success of our primary communities will be dependent on strong in-migration population expansion in our regions of development, primarily Northwest Florida. If persons considering moving to Florida do not view Northwest Florida as an attractive primary, second home or retirement destination, our business could be adversely affected.

Florida s population growth is expected to continue into the foreseeable future, although population growth in 2007 is expected to be less than the growth experienced in 2006. Florida s population growth could be negatively affected in the future by factors such as the occurrence of hurricanes, the high cost of real estate and increasing insurance costs. In addition, other states such as Georgia, North and South Carolina and Tennessee have implemented marketing initiatives designed to attract retiring Baby Boomers and the workforce population who may have otherwise considered moving to Florida. Any significant decrease in the demographic trend of increasing population in Florida, including the migration of Baby Boomers, could adversely affect our business.

Increases in interest rates could reduce demand for our products.

Many purchasers of our real estate products obtain mortgage loans to finance a substantial portion of the purchase price, including the construction price of a home that may be constructed on the property. Further, our homebuilder customers depend on purchasers who rely on mortgage financing. In general, housing demand is adversely affected by increases in interest rates and by decreases in the availability of mortgage financing. In addition, changes in the federal income tax laws which would remove or limit the deduction for home mortgage interest could have an adverse impact on demand for our residential products. In addition to residential real estate, increased interest rates could also negatively impact our commercial properties or other land we develop or sell. If interest rates increase and the ability or willingness of prospective buyers to finance real estate purchases is adversely affected, our sales, revenues, financial condition and results of operations may be negatively affected.

Our real estate operations are cyclical.

Our business is affected by demographic and economic trends and the supply and rate of absorption of lot sales and new construction. As a result, our real estate operations are cyclical, which may cause our quarterly revenues and operating results to fluctuate significantly from quarter to quarter and to differ from the

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expectations of public market analysts and investors. If this occurs, our stock s trading price could also fluctuate significantly.

We are exposed to risks associated with real estate sales and development.

Our real estate development activities entail risks that include:

- construction delays or cost overruns, which may increase project development costs;
- compliance with building codes and other local regulations;
- an inability to obtain required governmental permits and authorizations;
- an inability to secure tenants or anchors necessary to support commercial projects; and
- failure to achieve anticipated occupancy levels or rents.

If we are not able to raise sufficient cash to enhance and maintain our operations and to develop our real estate holdings, our revenues, financial condition and results of operations could be negatively impacted.

We operate in a capital intensive industry and require significant capital expenditures to maintain our competitive position. We obtain funds for our capital expenditures through cash flow from operations, property sales and financings. Failure to secure needed additional financing, if and when needed, may limit our development activities which could reduce our revenues and results of operations. We expect to make significant capital expenditures in the future to enhance and maintain the operations of our properties and to develop our real estate holdings. In the event that our plans or assumptions change or prove to be inaccurate, or if our cash flow proves to be insufficient, due to unanticipated expenses or otherwise, we may seek to minimize cash expenditures and/or obtain additional financing in order to support our plan of operations. Additional funding, whether obtained through public or private debt or equity financing, or from strategic alliances, may not be available when needed or may not be available on terms acceptable to us, if at all.

We rely on a senior revolving credit facility with adjustable interest rates to provide cash for operations and/or capital expenditures. Increases in interest rates can make it more expensive for us to obtain the funds we need to operate our business.

Our credit facility, as well as our outstanding senior notes, contain financial covenants that we must meet on a quarterly basis. These restrictive covenants require, among other things, that we generate cash in excess of our fixed charges and that we not exceed certain debt levels. If we are not able to generate sufficient cash from operations to satisfy these covenants, we could have an event of default under our credit facility, senior notes and certain other debt. Such a default could cause these lenders to immediately accelerate amounts due under our credit facility, senior notes and certain other debt. They could also seek to negotiate additional or more severe restrictive covenants or increased pricing. Any of these events could have a material adverse effect on our financial condition and results of operations.

Our business is subject to extensive regulation which makes it difficult and expensive for us to conduct our operations.

Development of real estate entails a lengthy, uncertain and costly entitlements process.

Approval to develop real property in Florida entails an extensive entitlements process involving multiple and overlapping regulatory jurisdictions and often requiring discretionary action by local government. This process is often political, uncertain and may require significant exactions in order to secure approvals. Real estate projects must generally comply with the provisions of the Local Government Comprehensive Planning and Land Development Regulation Act (the Growth Management Act) and local land development regulations. In addition, development projects that exceed certain specified regulatory thresholds require approval of a comprehensive Development of Regional Impact, or DRI, application. Compliance with the Growth Management Act, local land development regulations and the DRI process is usually lengthy and costly and can be expected to materially affect our real estate development activities.

The Growth Management Act requires local governments to adopt comprehensive plans guiding and controlling future real property development in their respective jurisdictions and to evaluate, assess and keep those plans current. Included in all comprehensive plans is a future land use map which sets forth allowable land use development rights. Since most of our land has an agricultural land use, we are required to seek an amendment to the future land use map to develop residential, commercial and mixed use projects. Approval of these comprehensive plan map amendments is highly discretionary.

All development orders and development permits must be consistent with the plan. Each plan must address such topics as future land use and capital improvements and make adequate provision for a multitude of public services including transportation, schools, solid waste disposal, sanitation, sewerage, potable water supply, drainage, affordable housing, open space and parks. The local governments comprehensive plans must also establish levels of service with respect to certain specified public facilities, including roads and schools, and services to residents. In many areas, infrastructure funding has not kept pace with growth, causing facilities to operate below established levels of service. Local governments are prohibited from issuing development orders or permits if the development will reduce the level of service for public facilities below the level of service established in the local government s comprehensive plan, unless the developer either sufficiently improves the services up front to meet the required level or provides financial assurances that the additional services will be provided as the project progresses. In addition, local governments that fail to keep their plans current may be prohibited by law from amending their plans to allow for new development.

The DRI review process includes an evaluation of a project s impact on the environment, infrastructure and government services, and requires the involvement of numerous state and local environmental, zoning and community development agencies. Local government approval of any DRI is subject to appeal to the Governor and Cabinet by the Florida Department of Community Affairs, and adverse decisions by the Governor or Cabinet are subject to judicial appeal. The DRI approval process is usually lengthy and costly, and conditions, standards or requirements may be imposed on a developer with respect to a particular project, which may materially increase the cost of the project.

Changes in the Growth Management Act or the DRI review process or the interpretation thereof, new enforcement of these laws, the enactment of new laws regarding the development of real property or the identification of new facts could lead to new or greater liabilities that could materially adversely affect our business, profitability or financial condition.

Environmental and other regulations may have an adverse effect on our business.

Our properties are subject to federal, state and local environmental regulations and restrictions that may impose significant limitations on our development ability. In most cases, approval to develop requires multiple permits which involve a long, uncertain and costly regulatory process. Most of our land holdings contain jurisdictional wetlands, some of which may be unsuitable for development or prohibited from development by law. Development approval most often requires mitigation for impacts that require land to be conserved at a disproportionate ratio versus the land approved for development. Much of our property is undeveloped land located in areas where development may have to avoid, minimize or mitigate for impacts to the natural habitats of various protected wildlife or plant species. Much of our property is in coastal areas that usually have a more restrictive permitting burden and must address issues such as coastal high hazard, hurricane evacuation, floodplains and dune protection.

In addition, our current or past ownership, operation and leasing of real property, and our current or past transportation and other operations are subject to extensive and evolving federal, state and local environmental laws and other regulations. The provisions and enforcement of these environmental laws and regulations may become more stringent in the future. Violations of these laws and regulations can result in:

civil penalties;

remediation expenses;

natural resource damages;

personal injury damages;

potential injunctions;

cease and desist orders; and

criminal penalties.

In addition, some of these environmental laws impose strict liability, which means that we may be held liable for any environmental damages on our property regardless of fault.

Some of our past and present real property, particularly properties used in connection with our previous transportation and papermill operations, were involved in the storage, use or disposal of hazardous substances that have contaminated and may in the future contaminate the environment. We may bear liability for this contamination and for the costs of cleaning up a site at which we have disposed of or to which we have transported hazardous substances. The presence of hazardous substances on a property may also adversely affect our ability to sell or develop the property or to borrow funds using the property as collateral.

Changes in laws or the interpretation thereof, new enforcement of laws, the identification of new facts or the failure of other parties to perform remediation at our current or former facilities could lead to new or greater liabilities that could materially adversely affect our business, profitability or financial condition.

We are increasingly dependent upon national, regional and local homebuilders, as well as other strategic partners, who may have interests that differ from ours and may take actions that adversely affect us.

With our exit from the homebuilding business in Florida, we are now highly dependent upon our relationships with national, regional and local homebuilders to provide construction services at our residential developments. If homebuilders do not view our developments as desirable locations for homebuilding operations, our business will be adversely affected.

We may also be involved in other strategic alliances or joint venture relationships as part of our overall strategy for particular developments or regions. These joint venture partners may bring development experience, industry expertise, financing capabilities, brand recognition and credibility or other competitive assets. Strategic partners, however, may have economic or business interests or goals that are inconsistent with ours or that are influenced by factors unrelated to our business. For example, a national homebuilder could decide to delay purchases of lots in one of our developments due to adverse real estate conditions in its areas of operations wholly unrelated to our region. We may also be subject to adverse business consequences if the market reputation of a strategic partner deteriorates.

A formal partnership with a joint venture partner may also involve special risks such as:

we may not have voting control over the joint venture;

the venture partner may take actions contrary to our instructions or requests, or contrary to our policies or objectives with respect to the real estate investments;

the venture partner could experience financial difficulties; and actions by a venture partner may subject property owned by the joint venture to liabilities greater than those contemplated by the joint venture agreement or have other adverse consequences.

Changes in our income tax estimates could affect our profitability.

In preparing our consolidated financial statements, significant management judgment is required to estimate our income taxes. Our estimates are based on our interpretation of federal and state tax laws. We estimate our actual current tax due and assess temporary differences resulting from differing treatment of items for tax and accounting purposes. The temporary differences result in deferred tax assets and liabilities, which are included in our consolidated balance sheet. Adjustments may be required by a change in assessment of our deferred tax assets and liabilities, changes due to audit adjustments by federal and state tax authorities, and changes in tax laws. To the extent adjustments are required in any given period, we will include the adjustments in the tax provision in our financial statements. These adjustments could materially impact our financial position, cash flow and results of operations.

Significant competition could have an adverse effect on our business.

The real estate industry is generally characterized by significant competition.

A number of residential and commercial developers, some with greater financial and other resources, compete with us in seeking resources for development and prospective purchasers and tenants. Competition from other real estate developers and real estate services companies may adversely affect our ability to:

- sell homes and home sites;
- attract purchasers;
- attract and retain tenants;
- sell undeveloped rural land;
- attract and retain experienced real estate development personnel; and
- obtain construction materials and labor.

The forest products industry is highly competitive.

Many of our competitors in the forest products industry are fully integrated companies with substantially greater financial and operating resources. Our forest products are also subject to increasing competition from a variety of non-wood and engineered wood products. In addition, we are subject to competition from lumber products and logs imported from foreign sources. Any significant increase in competitive pressures from substitute products or other domestic or foreign suppliers could have a material adverse effect on our forestry operations.

If we are unable to attract or retain experienced real estate development personnel, our business may be adversely affected.

Our future success largely depends on our ability to attract and retain experienced real estate development personnel. The market for these employees is highly competitive. If we cannot continue to attract and retain quality personnel, our ability to effectively operate our business may be significantly limited. In addition, we are highly dependent upon the strategic vision and operating experience of Peter Rummell, our Chairman and Chief Executive Officer. Mr. Rummell s existing employment agreement with the Company expires in August 2008. We do not have key-person life insurance on Mr. Rummell.

Decline in rental income could adversely affect our financial results.

We own a 2.3 million square foot portfolio of commercial real estate rental properties. Our profitability could be adversely affected if:

- a significant number of our tenants are unable to meet their obligations to us;
- we are unable to lease space at our properties when the space becomes available; and

the rental rates upon a renewal or a new lease are significantly lower than expected.

Item 1B. ***Unresolved Staff Comments***

We have no unresolved comments from the Securities and Exchange Commission regarding our periodic or current reports.

Item 2. ***Properties***

We own our principal executive offices located in Jacksonville, Florida.

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We own approximately 805,000 acres, the majority of which are located in Northwest Florida, including over 200 miles of gulf, lake and riverfront acreage. Most of our raw land assets are managed as timberlands until designated for development. At December 31, 2006, approximately 332,000 acres were encumbered under a wood fiber supply agreement with Smurfit-Stone Container Corporation which expires on June 30, 2012. For more information on our real estate assets, see Item 1. Business.

Item 3. *Legal Proceedings*

We are involved in litigation on a number of matters and are subject to certain claims which arise in the normal course of business, none of which, in the opinion of management, is expected to have a material adverse effect on our consolidated financial position, results of operations or liquidity. However, the aggregate amount being sought by the claimants in these matters is presently estimated to be several million dollars.

We are subject to costs arising out of environmental laws and regulations, which include obligations to remove or limit the effects on the environment of the disposal or release of certain wastes or substances at various sites, including sites which have been previously sold. It is our policy to accrue and charge against earnings environmental cleanup costs when it is probable that a liability has been incurred and an amount can be reasonably estimated. As assessments and cleanups proceed, these accruals are reviewed and adjusted, if necessary, as additional information becomes available.

Pursuant to the terms of various agreements by which we disposed of our sugar assets in 1999, we are obligated to complete certain defined environmental remediation. Approximately $6.7 million was placed in escrow pending the completion of the remediation. We have separately funded the costs of remediation. Remediation was substantially completed in 2003. Completion of remediation on one of the subject parcels occurred during the third quarter of 2006, resulting in the release of approximately $2.9 million of the escrowed funds to us on August 1, 2006. We expect the remaining $3.8 million held in escrow to be released to the Company in early 2007. The release of escrow funds will not have any effect on our earnings.

Our former paper mill site in Gulf County and certain adjacent property are subject to various Consent Agreements and Brownfield Site Rehabilitation Agreements with the Florida Department of Environmental Protection. The paper mill site has been assessed and rehabilitated by Smurfit-Stone Container Corporation in accordance with these agreements. We are in the process of rehabilitating the adjacent property in accordance with these agreements. Management does not believe the liability for any remaining required rehabilitation on these properties will be material.

Other proceedings involving environmental matters are pending against us. It is not possible to quantify future environmental costs because many issues relate to actions by third parties or changes in environmental regulation. However, management believes that the ultimate disposition of currently known matters will not have a material effect on our consolidated financial position, results of operations or liquidity.

Item 4. *Submission of Matters to a Vote of Security Holders*

None.

PART II

Item 5. *Market for the Registrant s Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities*

We had approximately 72,000 beneficial owners of our common stock as of February 21, 2007. Our common stock is quoted on the New York Stock Exchange (NYSE) Composite Transactions Tape under the symbol JOE.

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The range of high and low prices for our common stock as reported on the NYSE Composite Transactions Tape and the dividends declared for the periods indicated is set forth below:

	Common Stock Price High	Common Stock Price Low	Dividends Declared
2006			
First Quarter	$ 68.41	$ 56.50	$ 0.16
Second Quarter	62.75	40.93	0.16
Third Quarter	58.36	42.40	0.16
Fourth Quarter	58.24	51.05	0.16
2005			
First Quarter	$ 75.90	$ 60.21	$ 0.14
Second Quarter	83.52	64.31	0.14
Third Quarter	85.25	59.79	0.16
Fourth Quarter	70.85	58.50	0.16

On February 22, 2007, the closing price of our common stock on the NYSE was $55.56.

The following table describes the Company s purchases of its common stock during the fourth quarter of 2006.

Period	(a) Total Number of Shares Purchased(1)	(b) Average Price Paid per Share	(c) Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs(2)	(d) Maximum Dollar Amount that May Yet Be Purchased Under the Plans or Programs (In thousands)
Month Ended October 31, 2006		$		$ 103,793
Month Ended November 30, 2006		$		$ 103,793
Month Ended December 31, 2006	73,816	$ 53.28		$ 103,793

(1) Includes shares surrendered to the Company by executives as payment for the strike prices and taxes due on exercised stock options and/or taxes due on vested restricted stock equal in the aggregate to 73,816 shares in December 2006.

(2) For additional information regarding our Stock Repurchase Program, see Note 2 to the consolidated financial statements under the heading, Summary of Significant Accounting Policies Earnings Per Share.

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The following performance graph compares the Company s cumulative shareholder returns for the period December 31, 2001, through December 31, 2006, assuming $100 was invested on December 31, 2001, in the Company s common stock, in the Russell 1000 Index and in the Wilshire Real Estate Securities Index. The total return assumes dividends are reinvested. The stock price performance shown on the graph below is not necessarily indicative of future price performance.

	12/31/01	12/31/02	12/31/03	12/31/04	12/31/05	12/31/06
The St. Joe Company	$ 100	$ 108	$ 136	$ 237	$ 250	$ 202
Russell 1000 Index	100	78	102	113	121	139
Wilshire Real Estate	100	97	124	159	174	227

Sources: Bloomberg L.P.
The St. Joe Company

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Item 6. ***Selected Consolidated Financial Data***

The selected consolidated financial data set forth below are qualified in their entirety by and should be read in conjunction with the consolidated financial statements and the related notes included elsewhere herein. The statement of income data with respect to the years ended December 31, 2006, 2005 and 2004 and the balance sheet data as of December 31, 2006 and 2005 have been derived from the consolidated financial statements of the Company included herein, which have been audited by KPMG LLP. The statement of income data with respect to the years ended December 31, 2003 and 2002 and the balance sheet data as of December 31, 2004, 2003 and 2002 have been derived from the financial statements of the Company previously filed with the SEC, which also have been audited by KPMG LLP. Historical results are not necessarily indicative of the results to be expected in the future.

	Year Ended December 31,				
	2006	2005	2004	2003	2002
	(In thousands, except per share amounts)				
Statement of Income Data:					
Total revenues(1)	$ 748,192	$ 932,124	$ 838,002	$ 675,401	$ 556,148
Total expenses	669,965	753,108	699,904	536,402	452,254
Operating profit	78,227	179,016	138,098	138,999	103,894
Other income (expense)	(15,954)	(6,391)	(5,227)	(3,426)	125,591
Income from continuing operations before equity in income (loss) of unconsolidated affiliates, income taxes, and minority interest	62,273	172,625	132,871	135,573	229,485
Equity in income (loss) of unconsolidated affiliates	9,307	13,016	5,600	(2,168)	10,940
Income tax expense	25,157	64,153	52,334	48,270	88,929
Income from continuing operations before minority interest	46,423	121,488	86,137	85,135	151,496
Minority interest	6,137	7,820	2,594	553	1,366
Income from continuing operations	40,286	113,668	83,543	84,582	150,130
Income (loss) from discontinued operations(2)	366	(332)	1,333	(8,667)	3,346
Gain on sale of discontinued operations(2)	10,368	13,322	5,224		20,887
Net income	$ 51,020	$ 126,658	$ 90,100	$ 75,915	$ 174,363
Per Share Data:					
Basic					
Income from continuing operations	$ 0.54	$ 1.52	$ 1.11	$ 1.11	$ 1.91
		(0.01)	0.01	(0.11)	0.04

Income (loss) from discontinued operations(2)										
Gain on the sale of discontinued operations(2)		0.15		0.18		0.07				0.27
Net income		0.69	$	1.69	$	1.19	$	1.00	$	2.22
Diluted										
Income from continuing operations	$	0.54	$	1.49	$	1.09	$	1.09	$	1.84
Income (loss) from discontinued operations				(0.01)		0.01		(0.11)		0.04
Gain on the sale of discontinued operations		0.15		0.18		0.07				0.26
Net income	$	0.69	$	1.66	$	1.17	$	0.98	$	2.14
Dividends declared and paid	$	0.64	$	0.60	$	0.52	$	0.32	$	0.08

	December 31, 2006	2005	2004	2003	2002
Balance Sheet Data:					
Investment in real estate	$ 1,213,562	$ 1,036,174	$ 942,630	$ 886,076	$ 806,701
Cash and investments(3)	36,935	202,605	94,816	57,403	73,273
Property, plant and equipment, net	44,593	40,176	33,562	36,272	42,907
Total assets	1,560,395	1,591,946	1,403,629	1,275,730	1,169,887
Debt	627,056	554,446	421,110	382,176	320,915
Total stockholders equity	461,080	488,998	495,411	487,315	480,093

(1) Total revenues includes real estate revenues from property sales, timber sales, rental revenues and other revenues, primarily club operations and management and brokerage fees, and transportation revenues in 2002.

(2) Discontinued operations include the operations and subsequent sale of four commercial office buildings in 2006, four commercial office buildings and Advantis Real Estate Services Company (Advantis) in 2005, two commercial office buildings sold in 2004 and the sales in 2002 of Arvida Realty Services (ARS) and two commercial office buildings. (See Note 5 of Notes to Consolidated Financial Statements.)

(3) Includes cash, cash equivalents and marketable securities.

Item 7. ***Management s Discussion and Analysis of Financial Condition and Results of Operations***

Forward-looking Statements

We make forward-looking statements in this Report, particularly in the Management s Discussion and Analysis, pursuant to the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. Any statements in this Report that are not historical facts are forward-looking statements. You can find many of these forward-looking statements by looking for words such as intend , anticipate , believe , estimate , expect , plan , should , foreca expressions. In particular, forward-looking statements include, among others, statements about the following:

future operating performance, revenues, earnings, cash flows, and short and long-term revenue and earnings growth rates;

future residential and commercial entitlements;

expected development timetables and projected timing for sales or closings of homes or home sites in a community;

development approvals and the ability to obtain such approvals, including possible legal challenges;

the anticipated price ranges of developments;

the number of units or commercial square footage that can be supported upon full build out of a development;

the number, price and timing of anticipated land or building sales or acquisitions;

estimated land holdings for a particular use within a specific time frame;

absorption rates and expected gains on land and home site sales;

the levels of resale inventory in our developments and the regions in which they are located;

the development of relationships with strategic partners, including homebuilders;

the pace at which we release new products for sale;

comparisons to historical projects;

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the amount of dividends we pay; and

the number of shares of company stock which may be purchased under the company s existing or future share-repurchase program.

Forward-looking statements are not guarantees of future performance and are subject to numerous assumptions, risks and uncertainties. Factors that could cause actual results to differ materially from those contemplated by a forward-looking statement include the risk factors described above under the heading Risk Factors. These statements are made as of the date hereof based on our current expectations, and we undertake no obligation to update the information contained in this Report. New information, future events or risks may cause the forward-looking events we discuss in this Report not to occur.

Overview

The St. Joe Company is one of the largest real estate development companies in Florida. We believe we have one of the largest inventories of private land suitable for development in Florida. The majority of our land is located in Northwest Florida and has a very low cost basis. In order to optimize the value of these core real estate assets, we seek to reposition our substantial timberland holdings for higher and better uses. We increase the value of our raw land assets through the entitlement, development and subsequent sale of residential and commercial parcels, home sites and homes, or through the direct sale of unimproved land.

We have four operating segments: residential real estate, commercial real estate, rural land sales and forestry.

Our residential real estate segment generates revenues from:

the sale of developed home sites to retail customers and builders;

the sale of parcels of entitled, undeveloped land;

the sale of housing units built by us;

rental income;

resort and club operations;

investments in limited partnerships and joint ventures;

brokerage, title issuance and mortgage origination fees on certain transactions within our residential real estate developments; and

management fees.

Our commercial real estate segment generates revenues from:

the rental and/or sale of commercial buildings owned and/or developed by us; and

the sale of developed and undeveloped land for retail, multi-family, office and industrial uses.

Our rural land sales segment generates revenues from:

- the sale of parcels of undeveloped land; and
- the sale of developed home sites primarily within rural settings.

Our forestry segment generates revenues from:

- the sale of pulpwood and timber; and
- the sale of cypress lumber and mulch.

Our ability to obtain land-use entitlements for our properties is a key requirement in repositioning our land to higher and better uses and for the generation of revenues. We continue to plan and obtain entitlements for an increasingly diverse set of land uses including residential, retail, office, industrial and multi-family uses.

At the end of 2006, we had land-use entitlements in hand or in process for approximately 44,300 residential units and 14.5 million square feet of commercial space, with an additional 627 acres zoned for commercial uses.

During 2006, Florida, like many other states across the nation, experienced a dramatic slowdown in its real estate markets. This real estate slowdown was reflected in our results of operations for the year in which we experienced a 60% decline in net income. The slowdown has also led to high levels of residential resale inventories in our Florida markets, although recently we have seen an increasing level of sales-center traffic in our residential projects.

Due to existing market conditions, we are making a number of adjustments in our communities. The pricing of some of our resort and seasonal product is being revised to reflect current market conditions. We are also lengthening the required time periods for home-site purchasers to start construction of their homes. And, with completed homes now in greater demand than home sites, we are seeking new alliances with homebuilders to bring finished product to market in our communities.

We are committed to long-term value creation, further diversification of our development business and generating land sales over a broader range of uses and price points. Regardless of negative short-term market conditions, we believe that long-term prospects for Florida, driven by job growth and coupled with strong in-migration population expansion, will be favorable over the long term.

During the third quarter, we announced that we are exiting the Florida homebuilding business to focus on maximizing the value of our landholdings through place making. For the last several years, we have built homes in our towns in part because there was limited homebuilding capacity in Northwest Florida. As markets in the region have matured, homebuilding capacity from national, regional and local homebuilders has expanded significantly. Under our exit plan, our homebuilding operations will wind down by mid-2008.

We are continuing to develop our relationships with national, regional and local homebuilders (see Residential Real Estate Segment below). We have executed purchase and option contracts with several national and regional homebuilders for the purchase of developed lots in various communities. These transactions involve land positions in pre-development phases of our communities as well as phases currently under development. These transactions provide opportunities for us to accelerate value realization, while at the same time decreasing capital intensity and increasing efficiency in how we deliver housing to the market. We expect national and regional homebuilders to be important business partners going forward.

During late 2006 and early 2007, we implemented certain corporate organizational changes designed to position JOE for the years ahead. We eliminated certain redundancies among our field and corporate operations, and put in place a regional management structure to oversee our various product lines within specific geographical areas. We believe our new organization will facilitate the development of groups of projects with multifaceted real estate product types. As discussed further below, as a result of our exit from Florida homebuilding and corporate reorganization, we recorded a restructuring charge of $13.4 million during 2006. We expect to incur an additional charge of $3.0 million in 2007.

Critical Accounting Estimates

The discussion and analysis of our financial condition and results of operations are based upon our consolidated financial statements, which have been prepared in accordance with U.S. generally accepted accounting principles. The preparation of these financial statements requires us to make estimates and judgments that affect the reported amounts of assets, liabilities, equity, revenues and expenses, and related disclosures of contingent assets and liabilities. We base these estimates on our historical experience and on various other assumptions that management believes are reasonable under the circumstances. Additionally, we evaluate the results of these estimates on an on-going basis. Management s estimates form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions or conditions.

We believe the following critical accounting policies reflect our more significant judgments and estimates used in the preparation of our consolidated financial statements:

Investment in Real Estate and Cost of Real Estate Sales. Costs associated with a specific real estate project are capitalized once we determine that the project is economically probable. We capitalize costs directly associated with development and construction of identified real estate projects. Indirect costs that clearly relate to a specific project under development, such as internal costs of a regional project field office, are also capitalized. We capitalize interest based on the amount of underlying expenditures (up to total interest expense), and real estate taxes on real estate projects under development. If we determine not to complete a project, any previously capitalized costs are expensed in the period such determination is made.

Real estate inventory costs include land and common development costs (such as roads, sewers and amenities), multi-family construction costs, capitalized property taxes, capitalized interest and certain indirect costs. A portion of real estate inventory and estimates for costs to complete are allocated to each unit based on the relative sales value of each unit as compared to the estimated sales value of the total project. These estimates are reevaluated at least annually, with any adjustments being allocated prospectively to the remaining units available for sale. The accounting estimate related to inventory valuation is susceptible to change due to the use of assumptions about future sales proceeds and related real estate expenditures. Management s assumptions about future housing and home site sales prices, sales volume and sales velocity require significant judgment because the real estate market is cyclical and highly sensitive to changes in economic conditions. In addition, actual results could differ from management s estimates due to changes in anticipated development, construction and overhead costs. Although we have not made significant adjustments affecting real estate gross profit margins in the past, there can be no assurances that estimates used to generate future real estate gross profit margins will not differ from our current estimates. Construction costs for single-family homes are determined based upon actual costs incurred.

Revenue Recognition Percentage-of-Completion. In accordance with Statement of Financial Accounting Standards No. 66, *Accounting for Sales of Real Estate*, revenue for multi-family residences under construction is recognized using the percentage-of-completion method when (1) construction is beyond a preliminary stage, (2) the buyer is committed to the extent of being unable to require a refund except for nondelivery of the unit, (3) sufficient units have already been sold to assure that the entire property will not revert to rental property, (4) sales price is assured, and (5) aggregate sales proceeds and costs can be reasonably estimated. Revenue is then recognized in proportion to the percentage of total costs incurred in relation to estimated total costs. Percentage-of-completion accounting is also used for our home site sales when required development is not complete at the time of sale and for commercial and other land sales if there are uncompleted development costs yet to be incurred for the property sold.

Impairment of Long-lived Assets and Goodwill. Our long-lived assets, primarily real estate held for investment, are carried at cost unless circumstances indicate that the carrying value of the assets may not be recoverable. If we determine that an impairment exists due to the inability to recover an asset s carrying value, a provision for loss is recorded to the extent that the carrying value exceeded estimated fair value. If such assets were held for sale, the provision for loss would be recorded to the extent that the carrying value exceeds estimated fair value less costs to sell.

Depending on the asset, we use varying methods to determine fair value, such as (i) discounting expected future cash flows, (ii) determining resale values by market, or (iii) applying a capitalization rate to net operating income using prevailing rates in a given market. The fair value determined under these methods can fluctuate up or down significantly as a result of a number of factors, including changes in the general economy of our markets, demand for real estate and the projected net operating income for a specific property.

Goodwill is carried at the lower of cost or fair value and is tested for impairment at least annually, or whenever events or changes in circumstances indicate such an evaluation is warranted, by comparing the carrying amount of the net assets of each reporting unit with goodwill to the fair value of the reporting unit taken as a whole. The impairment review involves a number of assumptions and estimates including estimating discounted future cash flows, net operating income, future economic conditions, fair value of assets held and discount rates. If this comparison indicates that the goodwill of a particular reporting unit is impaired, the aggregate of the fair value of each of the individual assets and liabilities of the reporting unit are compared to the fair value of the reporting unit to determine the amount of goodwill impairment, if any.

Intangible Assets. We allocate the purchase price of acquired properties to tangible and identifiable intangible assets and liabilities acquired based on their respective fair values, using customary estimates of fair value, including data from appraisals, comparable sales, discounted cash flow analysis and other methods. These fair values can fluctuate up or down significantly as a result of a number of factors and estimates, including changes in the general economy of our markets, demand for real estate, lease terms, amortization periods and fair market values assigned to leases as well as fair value assigned to customer relationships.

Pension Plan. We sponsor a cash balance defined-benefit pension plan covering a majority of our employees. Currently, our pension plan is over-funded and contributes income to the Company. The accounting for pension benefits is determined by standardized accounting and actuarial methods using numerous estimates, including discount rates, expected long-term investment returns on plan assets, employee turnover, mortality and retirement ages, and future salary increases. Changes in these key assumptions can have a significant impact on the income contributed by the pension plan. We engage the services of an independent actuary and investment consultant to assist us in determining these assumptions and in the calculation of pension income. For example, in 2006, a 1% increase in the assumed long-term rate of return on pension assets would have resulted in a $2.3 million increase in pre-tax income ($1.4 million net of tax). A 1% decrease in the assumed long-term rate of return would have caused an equivalent decrease in pre-tax income. A 1% increase or decrease in the assumed discount rate would have resulted in less than a $0.3 million change in pre-tax income.

Stock-Based Compensation. We currently use the Black-Scholes option pricing model to determine the fair value of stock options. The determination of the fair value of stock-based payment awards on the date of grant using an option-pricing model is affected by the stock price as well as assumptions regarding a number of other variables. These variables include expected stock price volatility over the term of the awards, actual and projected employee stock option exercise behaviors (term of option), risk-free interest rate and expected dividends.

We estimate the expected term of options granted by incorporating the contractual term of the options and analyzing employees, actual and expected exercise behaviors. We estimate the volatility of our common stock by using historical volatility in market price over a period consistent with the expected term, and other factors. We base the risk-free interest rate that we use in the option valuation model on U.S. Treasury seven year issues with remaining terms similar to the expected term on the options. We anticipate paying cash dividends in the foreseeable future and therefore use an estimated dividend yield in the option valuation model.

Income Taxes. In preparing our consolidated financial statements, significant management judgment is required to estimate our income taxes. Our estimates are based on our interpretation of federal and state tax laws. We estimate our actual current tax due and assess temporary differences resulting from differing treatment of items for tax and accounting purposes. The temporary differences result in deferred tax assets and liabilities, which are included in our consolidated balance sheet. We record a valuation allowance against our deferred tax assets based upon our analysis of the timing and reversal of future taxable amounts and our history and future expectations of taxable income. Adjustments may be required by a change in assessment of our deferred tax assets and liabilities, changes due to audit adjustments by federal and state tax authorities, and changes in tax laws. To the extent adjustments are required in any given period, we will include the adjustments in the tax provision in our financial statements. These adjustments could materially impact our financial position, cash flow and results of operation.

Recently Issued Accounting Standards

In June 2006, the Financial Accounting Standards Board (FASB) issued FASB Interpretation No. 48, *Accounting for Uncertainty in Income Taxes, an Interpretation of SFAS Statement No. 109* (FIN 48). FIN 48 clarifies the accounting and reporting for uncertainties in income tax law. This Interpretation prescribes a comprehensive model for the financial statement recognition, measurement, presentation and disclosure of uncertain tax positions taken or expected to be taken in income tax returns. We will adopt this Interpretation in the first quarter of 2007. The cumulative effects, if any, of applying FIN 48 will be recorded as an adjustment to retained earnings as of the beginning of the period of adoption. We are currently evaluating the impact of FIN 48 on our consolidated financial statements, but are not yet in a position to determine its impact.

In September 2006, the FASB issued SFAS Statement No. 157, *Fair Value Measurements* (SFAS 157). SFAS 157 establishes a single authoritative definition of fair value, sets out a framework for measuring fair value, and requires additional disclosures about fair-value measurements. SFAS 157 applies only to fair-value measurements that are already required or permitted by other accounting standards and is expected to increase the consistency of those measurements. SFAS 157 is effective for fiscal years beginning after November 15, 2007. We do not believe SFAS 157 will have a material adverse impact on our financial position or results of operations.

In September 2006, the SEC Staff issued Staff Accounting Bulletin No. 108, *Considering the Effects of Prior Year Misstatements when Quantifying Misstatements in Current Year Financial Statements* (SAB 108). SAB 108 provides guidance for SEC registrants on how the effects of uncorrected errors originating in previous years should be considered when quantifying errors in the current year. SAB 108 was issued to eliminate diversity in practice for quantifying uncorrected prior year misstatements (including prior year unadjusted audit differences) and to address weaknesses in methods commonly used to quantify such misstatements. These methods are the income statement or rollover method and the balance sheet or iron curtain method. The Company has historically followed the income statement method. Under SAB 108, SEC registrants will now have to evaluate errors under both methods. SAB 108 provides transitional guidance that allows registrants to report the effect of adoption as a cumulative adjustment to beginning of year retained earnings. If a cumulative adjustment is reported, it must be reported as of the beginning of the first fiscal year ending after November 15, 2006. SAB 108 did not have an impact on our financial statements at December 31, 2006.

In September 2006, the SEC Emerging Issues Task Force (EITF) issued *EITF Issue No. 06-8, Applicability of the Assessment of a Buyer s Continuing Investment under FAS No. 66 for the Sale of Condominiums (EITF 06-8).* EITF 06-8 states that in assessing the collectibility of the sales price pursuant to paragraph 37(d) of FAS 66, an entity should evaluate the adequacy of the buyer s initial and continuing investment to conclude that the sales price is collectible. If an entity is unable to meet the criteria of paragraph 37, including an assessment of collectibility using the initial and continuing investment tests described in paragraphs 8-12 of FAS 66, then the entity should apply the deposit method as described in paragraphs 65-67 of FAS 66. EITF 06-8 is effective for the Company s fiscal year beginning January 1, 2008. We have not yet assessed the impact of EITF 06-8 on our consolidated financial statements, but we believe that we will be required, in most cases, to collect additional deposits from buyers in order to recognize revenue under the percentage-of-completion method of accounting. If we are unable to meet the requirements of EITF 06-8, we would be required to recognize revenue using the deposit method, which would delay revenue recognition until consumation of the sale.

Results of Operations

Net income for 2006 was $51.0 million, or $0.69 per diluted share, compared with $126.7 million, or $1.66 per diluted share, in 2005, and $90.1 million, or $1.17 per diluted share, in 2004. Results for 2006 reported in discontinued operations included after-tax gains on sales of four office buildings totaling $10.4 million, or $0.15 per diluted share. Results for 2005 reported in discontinued operations included an after-tax loss of $5.9 million, or $0.08 per diluted share, resulting from the sale of Advantis Real Estate Services Company (Advantis), our former commercial real estate services unit. Discontinued operations for 2005 also included after-tax gains on sales of four office buildings totaling $19.2 million, or $0.25 per diluted share.

We report revenues from our four operating segments: residential real estate, commercial real estate, rural land sales and forestry. Real estate sales are generated from sales of residential homes and home sites, parcels

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of developed and undeveloped land, and commercial buildings which are not reported as discontinued operations. Rental revenue is generated primarily from lease income related to our portfolio of investment and development properties as a component of the commercial real estate segment. Timber sales are generated from the forestry segment. Other revenues are primarily club operations and management fees from the residential real estate segment.

Consolidated Results

Revenues and Expenses. The following table sets forth a comparison of the revenues and expenses for the three years ended December 31, 2006.

	Years Ended December 31,			2006 vs. 2005		2005 vs. 2004	
	2006	2005	2004	Difference	% Change	Difference	% Change
	(Dollars in millions)						
Revenues:							
Real estate sales	$ 638.2	$ 824.8	$ 734.3	$ (186.6)	(23)%	$ 90.5	12%
Rental	41.0	34.6	25.1	6.4	18	9.5	38
Timber sales	29.9	28.0	35.2	1.9	7	(7.2)	(20)
Other	39.1	44.7	43.4	(5.6)	(12)	1.3	3
Total	$ 748.2	$ 932.1	$ 838.0	$ (183.9)	(20)%	$ 94.1	11%
Expenses:							
Cost of real estate sales	407.1	526.1	485.4	(119.0)	(23)	40.7	8
Cost of rental revenues	16.9	13.9	10.9	3.0	22	3.0	27
Cost of timber sales	21.9	20.0	21.8	1.9	10	(1.8)	(8)
Cost of other revenues	41.7	39.8	37.6	1.9	5	2.2	6
Other operating expenses	77.4	69.4	68.9	8.0	11	0.5	1
Total	$ 565.0	$ 669.2	$ 624.6	$ (104.2)	(16)%	$ 44.6	7%

The 2006 decreases in revenues from real estate sales and costs of real estate sales were in each case primarily due to decreased sales in the residential real estate segment and, to a lesser extent, the commercial real estate segment. The decreases were partially offset by an increase in sales of rural land. Additionally, during 2006 and 2005, four buildings were sold in each year by the commercial real estate segment and recorded as discontinued operations, and during 2004, two buildings were sold by the commercial real estate segment and recorded as discontinued operations. The increases in rental revenues and costs of rental revenues were in each case primarily due to the purchase of commercial buildings.

Timber revenue increased in 2006 due to an increase in harvest volumes and in 2005 decreased due to price decreases. Cost of timber sales increased in 2006 due to increased logging costs caused primarily by higher fuel prices and road maintenance costs. Cost of timber sales decreased in 2005 due to lower costs in the timber operation resulting from lower sales.

The 2006 decrease in other revenues and related gross profit of other revenues was primarily due to decreased resale brokerage activity and increased resort costs. Other revenues and cost of other revenues increased in 2005 primarily due to increases in resort operations. Other operating expenses increased in 2006 due to increased marketing costs, increased project administration expenses and increased insurance costs in our residential real estate segment. For further discussion of revenues and expenses, see Segment Results below.

Corporate Expense. Corporate expense, representing corporate general and administrative expenses, increased $3.3 million, or 7%, to $51.3 million in 2006 over 2005. The increase was primarily due to increased stock compensation and other compensation costs. Stock compensation costs increased $3.8 million primarily as a result of the acceleration of restricted stock amortization related to the retirement of our former President/COO and stock compensation expense recorded under SFAS 123R. Other compensation costs

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increased $3.5 million substantially related to retirement and/or severance costs of our former President/COO and CFO. These cost increases were primarily offset by a reduction in bonus expense of $3.2 million. In 2005, corporate expense increased $4.2 million, or 10%, to $48.0 million from $43.7 million in 2004. The increase was due to an increase in non-capitalizable entitlements costs, a decrease in pension credit and an increase in compensation costs.

Depreciation and Amortization. Depreciation and amortization increased $2.9 million, or 8%, to $38.8 million in 2006 compared to $35.9 million in 2005. The increase was primarily due to an increase in depreciation resulting from the purchase of one commercial operating property. In 2005, depreciation and amortization increased $6.3 million, or 21%, to $35.9 million compared to $29.6 million in 2004. The increase was primarily due to additional investments in commercial investment property.

Impairment Losses. During 2006, we recorded a $1.5 million impairment loss related to the goodwill of our wholly owned affiliate, Sunshine State Cypress, Inc., included in our forestry segment. No impairment losses were recorded in 2005. During 2004, we recorded a $2.0 million impairment loss related to one of our residential projects in North Carolina.

Restructuring Charge. We recorded a restructuring charge of $13.4 million during 2006 in connection with our exit from the Florida homebuilding business and corporate reorganization. The charge included $9.3 million related to the write-off of previously capitalized homebuilding costs and $4.1 million related to one-time termination benefits.

Other Income (Expense). Other income (expense) consists of investment income, interest expense, gains on sales and dispositions of assets and other, net. Other income (expense) was $(15.9) million in 2006, $(6.4) million in 2005, and $(5.2) million in 2004. Investment income increased to $5.1 million in 2006 from $3.5 million in 2005 and $0.8 million in 2004 due primarily to higher invested cash balances. Interest expense increased to $20.6 million in 2006 from $13.9 million in 2005 primarily due to an increase in the average amount of debt outstanding in 2006. Interest expense increased to $13.9 million in 2005 from $9.9 million in 2004, primarily due to an increase in the average amount of debt in 2005. Other, net decreased in 2006 primarily due to a litigation provision of $4.9 million relating to a 1996 sales commission dispute.

Equity in Income of Unconsolidated Affiliates. We have investments in affiliates that are accounted for by the equity method of accounting. Equity in income of unconsolidated affiliates totaled $9.3 million in 2006, $13.0 million in 2005 and $5.6 million in 2004. Equity income decreased $3.7 million in 2006 primarily due to lower earnings in our investments in Rivercrest and Paseos, which are nearing build out. Equity income increased $7.4 million in 2005 from 2004 primarily due to increased closings at those two communities.

Income Tax Expense. Income tax expense on continuing operations totaled $25.2 million in 2006, $64.1 million in 2005 and $52.3 million in 2004. Our effective tax rate was 38% in 2006, 36% in 2005 and 38% in 2004.

Discontinued Operations. Discontinued operations include the operations and subsequent sales of four commercial buildings sold in 2006, the sale of Advantis and four commercial office buildings in 2005, and the operations and sales of two commercial office buildings sold in 2004. These entities results are not included in income from continuing operations. See Commercial Real Estate below for further discussion regarding our discontinued operations.

Segment Results

Residential Real Estate

Our residential real estate segment develops large-scale, mixed-use resort, primary and seasonal residential communities, primarily on land we own with very low cost basis. We own large tracts of land in Northwest Florida, including significant Gulf of Mexico beach frontage and waterfront properties, and land near Jacksonville, in Deland and near Tallahassee, the state capital. Our residential homebuilding business in North and South Carolina is conducted through Saussy Burbank, Inc., a wholly owned subsidiary.

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Residential sales slowed significantly in 2006, particularly in our resort markets. As a result of the slowdown, inventories of resale homes and home sites have risen dramatically in our markets. These resale inventory levels will continue to impact sales of our products in the majority of our markets throughout 2007. Although we believe these inventory levels may be trending downward by the end of 2007, we continue to believe it could take until 2008 before a supply-demand balance begins to return.

During the third quarter of 2006, we announced that we are exiting the Florida homebuilding business to focus on maximizing the value of our landholdings through place making. There was no material impact to our financial results in 2006 related to our exit from Florida homebuilding, other than the restructuring charge. The exit move was made possible by our expanding relationships with local, regional and national homebuilders. We have executed purchase and option contracts with several national and regional homebuilders for the purchase of developed lots in various JOE communities. These transactions involve land positions in pre-development phases as well as phases currently under development. These transactions provide opportunities for us to accelerate value realization, while at the same time decreasing capital intensity and increasing efficiency in the delivery of finished homes to the market.

During the period from April 1 through December 31, 2006, we had a total of 1,209 developed home sites under contract or under option with David Weekley Homes and Beazer Homes, of which 783 remain to be closed. We expect national and regional homebuilders to be important business partners going forward.

The table below sets forth our activity with national homebuilders from April 1 through December 31, 2006:

Residential Real Estate
National Homebuilder Summary
of Home Site Commitments and Purchases
April 1, 2006 through December 31, 2006

	Total Units Committed(1)	Total Units Closed 12/31/06	Average Price Closed Units	Remaining Units To Close
Beazer Homes				
Beckrich Point	70		N/A	70
Laguna West	350		N/A	350
SouthWood	163	107	$ 42,941	56
Victoria Park	179	179	$ 66,369	
David Weekley Homes				
Hawks Landing	99	10	$ 60,900	89
Palmetto Trace	56	48	$ 77,688	8
ParkPlace	70		N/A	70
RiverCamps on Crooked Creek	3	3	$ 209,667	
SouthWood	140		N/A	140
Victoria Park	72	72	$ 102,444	
WaterSound	7	7	$ 144,248	
Total	1,209	426		783

(1) Includes amounts under contract or under option.

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The table below sets forth the results of operations of our residential real estate segment for the three years ended December 31, 2006. The historical results of RiverCamps on Crooked Creek have been reclassified from the rural land sales segment to the residential real estate segment to conform to the current period s presentation.

	Years Ended December 31,		
	2006	2005	2004
		(In millions)	
Revenues:			
Real estate sales	$ 499.6	$ 693.2	$ 579.0
Rental revenues	1.7	1.6	1.1
Other revenues	38.3	43.6	41.5
Total revenues	539.6	738.4	621.6
Expenses:			
Cost of real estate sales	381.1	482.8	420.4
Cost of rental revenues	1.8	1.7	1.2
Cost of other revenues	41.6	39.6	37.5
Other operating expenses	56.6	49.0	48.9
Depreciation and amortization	11.3	10.0	10.1
Impairment loss			2.0
Restructuring charge	12.3		
Total expenses	504.7	583.1	520.1
Other income (expense)	1.7	0.1	(0.2)
Pre-tax income from continuing operations	$ 36.6	$ 155.4	$ 101.3

Revenues and costs of sales associated with multi-family units and Private Residence Club (PRC) units under construction are recognized using the percentage-of-completion method of accounting. Revenue on contracted units is recognized in proportion to the percentage of total costs incurred in relation to estimated total costs. If a deposit is received for less than 10% for a multi-family or PRC unit, percentage-of-completion accounting is not utilized. Instead, full accrual accounting criteria are used, which requires recognition of revenue when sales contracts are closed. All deposits are non-refundable (subject to a 15-day rescission period as required by law), except for non-delivery of the unit. In the event a contract does not close for reasons other than non-delivery, we are entitled to retain the deposit. In such instances, the revenue and margin related to the previously recorded contract is reversed. Revenues and cost of sales associated with multi-family units where construction has been completed before contracts are entered into and deposits made are recognized on the full accrual method of accounting as contracts are closed.

Our townhomes are attached building units sold individually along with a parcel of land. Revenues and cost of sales for our townhomes are accounted for using the full accrual method. These units differ from multi-family and PRC units, in which buyers hold title to a unit or fractional share of a unit, respectively, within a building and an interest in the underlying land held in common with other building association members.

Profit is deferred on home site sales when required development is not complete at the time of the sale. Currently, we are deferring a portion of profit from home site sales at WaterSound West Beach, SummerCamp and RiverCamps on Crooked Creek. Homesite sales are recorded at the time of closing, but a portion of revenue and gross profit on the sales at those communities is deferred based on required development not yet completed in relation to total required development costs and recognized by the percentage-of-completion method as the work is completed.

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Year Ended December 31, 2006 Compared to Year Ended December 31, 2005

Real estate sales include sales of homes and home sites, as well as sales of land. Cost of real estate sales for homes and home sites includes direct costs (e.g., development and construction costs), selling costs and other indirect costs (e.g., construction overhead, capitalized interest, warranty and project administration costs).

The following table sets forth the components of our real estate sales and cost of real estate sales related to homes and home sites:

	Year Ended December 31, 2006			Year Ended December 31, 2005		
	Homes	Home Sites	Total	Homes	Home Sites	Total
	(Dollars in millions)					
Sales	$ 429.4	$ 69.3	$ 498.7	$ 537.6	$ 155.3	$ 692.9
Cost of sales:						
Direct costs	292.1	31.4	323.5	375.4	33.3	408.7
Selling costs	21.9	1.7	23.6	27.8	5.4	33.2
Other indirect costs	30.3	2.9	33.2	37.1	3.7	40.8
Total cost of sales	344.3	36.0	380.3	440.3	42.4	482.7
Gross profit	$ 85.1	$ 33.3	$ 118.4	$ 97.3	$ 112.9	$ 210.2
Gross profit margin	20%	48%	24%	18%	73%	30%

The overall decreases in real estate sales, gross profit and gross profit margin were due primarily to a decrease in home site closings in our Northwest Florida resort communities and a decrease in primary home closings in various communities.

The following table sets forth home and home site sales activity by geographic region and property type, excluding Rivercrest and Paseos, two 50% owned affiliates accounted for using the equity method of accounting.

	Year Ended December 31, 2006				Year Ended December 31, 2005			
	Closed Units	Revenues	Cost of Sales	Gross Profit	Closed Units	Revenues	Cost of Sales	Gross Profit
	(Dollars in millions)							
Northwest Florida:								
Resort								
Single-family homes	20	$ 21.8	$ 16.8	$ 5.0	8	$ 7.1	$ 5.1	$ 2.0
Multi-family homes					48	21.2	13.2	8.0
Private Residence Club					1	0.3	0.1	0.2
Home sites	67	32.5	12.0	20.5	281	126.6	29.6	97.0
Primary								
Single-family homes	206	62.8	49.9	12.9	301	77.7	64.3	13.4
Townhomes	43	6.7	5.4	1.3	135	20.5	17.4	3.1

Home sites	231	14.6	8.4	6.2	109	10.1	5.7	4.4
Northeast Florida:								
Primary								
Single-family homes	54	28.1	21.8	6.3	124	51.2	39.5	11.7
Home sites	7	1.1	0.5	0.6	43	3.4	0.9	2.5
Central Florida:								
Primary								
Single-family homes	183	81.5	56.7	24.8	353	118.8	92.6	26.2
Multi-family homes	136	27.6	17.9	9.7	86	51.3	38.6	12.7
Townhomes	60	18.8	16.1	2.7	41	11.4	10.1	1.3
Home sites	258	21.1	15.2	5.9	80	15.2	6.2	9.0
North and South Carolina:								
Primary								
Single-family homes	621	179.3	157.1	22.2	693	177.2	158.6	18.6
Townhomes	16	2.8	2.5	0.3	6	0.9	0.8	0.1
Total	1,902	$ 498.7	$ 380.3	$ 118.4	2,309	$ 692.9	$ 482.7	$ 210.2

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In 2006 and 2005, our Northwest Florida resort and seasonal communities included WaterColor, WaterSound Beach, WaterSound West Beach, WaterSound, WindMark Beach, RiverCamps on Crooked Creek and SummerCamp, while primary communities included Hawks Landing, Palmetto Trace, The Hammocks and SouthWood. In Northeast Florida the only primary community was St. Johns Golf and Country Club. The Central Florida communities included Artisan Park and Victoria Park, both of which are primary. North and South Carolina included Saussy Burbank s primary communities in Charlotte, Raleigh and Charleston.

In our Northwest Florida resort communities, closed units, revenues and gross profit decreased significantly in 2006 compared to 2005 as the demand for resort residential product has decreased. The gross profit from home site sales decreased to $20.5 million in 2006 from $97.0 million in 2005 due primarily to decreases in the number of home sites closed in SummerCamp, RiverCamps on Crooked Creek, WaterColor and WaterSound Beach. The decreases resulting from these reduced closings were partially offset by closings in WaterSound and WindMark Beach as sales of home sites in these communities commenced in the second and third quarters of 2006, respectively. No gross profit was recognized from multi-family residences in 2006, compared to $8.0 million in 2005 for the multi-family residences at WaterSound Beach which were completed in 2005.

Since required development was not complete at WaterSound West Beach, SummerCamp and RiverCamps on Crooked Creek at the time home sites were closed in these communities, percentage of completion accounting was used, and deferred profit will be recognized as the required infrastructure is completed. From project inception through the end of 2006, remaining unrecognized deferred profit at WaterSound West Beach was $1.4 million, substantially all of which we expect to recognize by the end of 2007; at RiverCamps on Crooked Creek it was $1.1 million, substantially all of which we expect to recognize by the end of the first quarter of 2007; and at SummerCamp it was $9.2 million, all of which we expect to recognize over the next several years.

In our Northwest Florida primary communities, closed units, revenues and gross profit decreased in 2006 as compared to 2005 due to market conditions. The gross profit from single-family home sales decreased $0.5 million in 2006 from 2005 as a result of a decrease of 95 units closed. Due primarily to an increase in the average sales price of homes closed in Palmetto Trace and Southwood (the average price of single-family residences closed in these communities in 2006 was $305,000 compared to $258,000 in 2005), the decrease in gross profit was not as significant as the decrease in unit closings. Townhome revenues and the number of townhomes closed decreased in 2006 as compared to 2005 as we have closed most of the townhomes previously offered for sale in these communities. Home site closings and gross profit increased in 2006 compared with 2005 due primarily to increased closings in Palmetto Trace and Hawks Landing resulting from our expanding relationships with national and regional homebuilders, although the average price decreased, reflecting a change in the type of product sold. The average price of a home site sold in 2006 was $63,000 compared to $93,000 in 2005.

In our Northeast Florida communities, closed units, revenues and gross profit decreased in 2006 as compared to 2005 as a result of a lack of product availability. The decreases were partially offset by an increase in the average price of a single-family residence to $520,000 in 2006 compared to $413,000 in 2005. St. Johns Golf and Country Club is nearing its completion in early 2007, while James Island and Hampton Park were completed during 2005. Future home site product will become available in Northeast Florida at RiverTown, with sales expected to begin in 2007.

In our Central Florida communities, the gross profit on single-family home sales decreased to $24.8 million in 2006 from $26.2 million in 2005 as a result of unit closings decreasing to 183 from 353. Due to our ability to achieve stronger pricing on contracts in these communities last year (the average price of single-family residences closed in these communities in 2006 was $445,000 compared to $337,000 in 2005), the decrease in gross profit was not as significant as the decrease in unit closings. Gross profit percentages recognized using percentage-of-completion accounting on multi-family residences increased to 35% in 2006 from 25% in 2005 due primarily to our ability to raise prices to more than offset increased construction costs. Home site closings and revenue increased in 2006 compared with 2005 due primarily to third quarter sales to David Weekly Homes and fourth quarter sales to Beazer Homes. The average price of a home site in 2006

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was $82,000 compared to $190,000 in 2005 due to a change in the type of product sold to these homebuilders. Increased sales of townhomes during 2006 resulted in increased revenues and gross profit of $7.4 million and $1.4 million, respectively, as compared to 2005.

In our North and South Carolina communities, the gross profit on single-family home sales increased to $22.2 million in 2006 from $18.6 million in 2005 due primarily to price increases on comparable homes. The average price of a home closed in 2006 was $289,000 compared to $256,000 in 2005.

Other revenues included revenues from the WaterColor Inn and WaterColor vacation rental program, other resort and club operations, management fees and brokerage activities. Other revenues were $38.3 million in 2006 with $41.6 million in related costs, compared to revenues totaling $43.6 million in 2005 with $39.6 million in related costs. The decrease in other revenues and related deficit was primarily due to the decrease in resale brokerage activity and increased resort costs. The decrease in resale brokerage activity coincided with the slowdown in residential sales. The increase in resort costs included salaries and salary related costs in our Northwest Florida resort operations, which was due primarily to costs associated